

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 STR-04 ABF-01

L-03 H-02 NSC-05 ITC-01 /093 W

-----112306 061128Z /14

R 060931Z SEP 77

FM AMEMBASSY MANAMA

TO SECSTATE WASHDC 5160

INFO AMEMBASSY ABU DHABI

AMEMBASSY ATHENS

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USDOC WASHDC

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ATHENS FOR RTDO

E.O. 11652: N/A

TAGS: ETRD, EFIN, ELAB, BEXP, BA, XF

SUBJECT: PROPOSALS FOR TAX REFORM: WHERE DO WE STAND ON
SECTION 911?

1. U.S. MEDIA SEEN HERE, SUCH AS AUG. 29 BUSINESS WEEK AND
JULY 25 U.S. NEWS AND WORLD REPORT, LATELY HAVE DEVOTED
SUBSTANTIAL SPACE TO ADMINISTRATION'S WORK ON NEW AND
SWEEPING TAX REFORM PROPOSALS. ARTICLES HAVE SPECULATED
THAT ADMINISTRATION MAY PRESENT SUCH PROPOSALS EARLY IN
RESUMED CONGRESSIONAL SESSION. PRIVATE AMERICANS HERE WANT
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TO KNOW WHAT ADMINISTRATION WILL PROPOSE BE DONE ABOUT
SECTIONS 911 OF IRS CODE. IT IS A GOOD QUESTION. THE EVIDENCE
IS OVERWHELMING, AT LEAST IN THIS PART OF WORLD, THAT LAW AS
IT STANDS IS INCREASINGLY DAMAGING TO U.S. INTERESTS ABROAD
AND, MOREOVER, THAT IT IS UNLIKELY TO ACHIEVE ITS PRESUMED
GOALS OF RAISING REVENUE AND INCREASING JICLES READ HERE RECENTLY
EITHER DO NOT MENTION

SECTION 911 PROBLEM OR, IF THEY DO, IT IS CLEAR THAT NEITHER WRITERS NOR PERSONS THEY INTERVIEWED UNDERSTOOD WHAT IS INVOLVED. IMPACT OF THIS APPARENT JACK OF INTEREST/KNOWLEDGE ON PART OF RESPECTED PUBLICATIONS IS COMPOUNDED BY WHAT IS SEEN HERE RECENTLY AS PARALLEL LACK OF INTEREST/KNOWLEDGE ON PART OF EXECUTIVE BRANCH. AMERICAN BUSINESSMEN ARE APPALLED THAT SENIOR LEVELS OF USG MIGHT NOT BE FULLY AWARE AND, WORSE, MIGHT NOT UNDERSTAND THAT U.S. INTERESTS ABROAD ARE BEING SEVERELY DAMAGED BY A SECTION OF LAW WHICH, ALMOST UNIQUELY, SEEMS TO DO NO ONE ANY GOOD.

3. DELAY IN APPLICATION OF SECTION 911'S RETROACTIVITY PROVISION AND AREA TRAVEL OF GAO TEAMS WAS REASSURING FOR A TIME. KNOWLEDGE THAT FOREIGN SERVICE POSTS IN AREA WERE REPORTING ON SITUATION CREATED BY 1976 TAX REFORM ACT PROVISIONS ALSO WAS SOURCE OF REASSURANCE TO AMERICANS CONCERNED ABOUT THEIR, AND THEIR COUNTRY'S STANDING ABROAD. BUT THEY ALSO ARE AWARE FROM TALKS WITH GAO TEAMS THAT GAO REPORTS ARE ON BEHALF OF CONGRESS, ARE SLOW IN BEING PUBLISHED, AND ARE NOT ALWAYS DECISIVELY INFLUENTIAL. THEY KNOW, TOO, THAT FOREIGN SERVICE OFFICERS HAVE BEEN UNABLE TO ASSURE THEM THAT EXECUTIVE BRANCH AGENCIES RESPONSIBLE FOR FOREIGN AFFAIRS WILL BE PUSHING HARD FOR NEW TAX POLICIES WHICH PROTECT OUR INTERESTS ABROAD. RECENT MEDIA REPORTS THAT ADMINISTRATION'S TAX REFORM PROPOSALS MAY BE READY SOON (WELL BEFORE DECEMBER WHEN GAO REPORT LIKELY TO BE AVAILABLE) HAVE HEIGHTENED THE UNCLASSIFIED

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INTEREST, AND THE ANXIETY, AMONG AMERICAN BUSINESS COMMUNITY AND MADE OUR INABILITY RESPOND INFORMATIVELY ALL THE MORE EMBARRASSING TO EMBASSY OFFICERS. OUR DESIRE TO INCREASE RESPONSIVENESS OF THE FOREIGN SERVICE TO NEEDS OF AMERICANS ABROAD IS NOT ENHANCED BY OUR PRESENT INABILITY TO RESPOND AT ALL ON ONE OF MOST IMPORTANT ISSUES FACING AMERICANS AND AMERICAN INTERESTS ABROAD.

4. IT WOULD HELP US TREMENDOUSLY TO KNOW, AND BE ABLE TO PASS ON, ADMINISTRATION'S TIMETABLE FOR PRESENTING NEW TAX PROPOSALS AND DETAILS OF ITS PROPOSALS FOR CHANGES TO SECTION 911. IF TIMETABLE NOT SET, OR PRESENTATION OF PROPOSALS TO CONGRESS LIKELY TO BE MONTHS AWAY, DEPT. MIGHT CONSIDER URGING THAT ADMINISTRATION'S POSITION ON SECTION 911 BE MADE PUBLIC SOON IN SOME FASHION OR OTHER. THE SOONER AMERICAN FIRMS AND INDIVIDUALS KNOW THAT THEIR GOVERNMENT RECOGNIZES

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ATHENS FOR RTDO

THE PROBLEM AND WILL BE PROPOSING A SOLUTION, THE SOONER THEY
CAN MOVE TO REVERSE DAMAGE ALREADY DONE AND TO PREVENT
FURTHER DETERIORATION IN OUR COMPETITIVE POSITION ABROAD.

5. WOULD ALSO BE USEFUL FOR DEPT. TO PROVIDE RUN-DOWN ON
CURRENT CONGRESSIONAL FEELING AND ACTIVITIES OF PRIVATE
GROUPS ON THIS QUESTION.
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Message Attributes

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Copy: SINGLE
Sent Date: 06-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
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Review Withdrawn Fields: n/a
SAS ID: 1379462
Secure: OPEN
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TAGS: ETRD, EFIN, ELAB, BEXP, BA, XF
To: STATE
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vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/bf1b784d-c288-dd11-92da-001cc4696bcc
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